Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of Unbundling of Local Exchange Carrier Common Line Facilities	RM-8614

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COMMENTS ON MFS PETITION FOR RULEMAKING

Allnet Communication Services, Inc. (Allnet), hereby submits these comments to this Honorable Commission, with respect to the MFS Petition for Rulemaking, filed in the above captioned proceeding on March 7, 1995. Allnet generally supports the MFS Petition. Allnet argues for virtually priced unbundled loops under a "five mile" rule similar to that which exists in the MFJ, and consistently priced access.

Facilities-Based Local Competition Will Not Occur In the Near Term, Thus Unbundled Resellable Local Loops Are Essential for Even Limited Local Competition

MFS makes a good case for why true facilities based local exchange competition is years away. MFS explains in its Petition that it is economically unfeasible for it (or any other carrier) to construct and install local loops to all of its potential customers. It goes on to explain that many regulatory and non-regulatory barriers to entry exist for companies such as MFS. These include lack of reasonable access to buildings, utility poles, and excessive franchise fees. Based upon Allnet's study of the problems of local competition, Allnet fully supports and agrees with the factual foundation set forth in MFS's petition.

Without any economical way to reach customers, other than reselling the local loop of the local exchange carrier, it becomes imperative that the Commission extend its unbundling requirements for the trunk side of the end office switches, to the loop side of end office switches. This is, in essence, what MFS proposes here. Thus, there is no dispute that unbundling should be ordered by the Commission wherever local competition is allowed.

A "Five Mile Rule" Pricing For Unbundled Virtual Local Loops

A "five mile rule," such as that which remains in the MFJ, should be applied in the pricing of local loops. A "five mile rule" refers to a "virtual collocation" type pricing and interconnection which requires that the unbundled loop cost the same, regardless of whether the connection point is in the local central office, or within five miles of that office. This would allow many carriers, other than simply MFS, to take advantage of the unbundled loops that MFS is calling for. Five mile rule pricing is critical because experience in New York has shown that unbundling can be frustrated by a LEC's refusal to either interconnect cages of different competitive local exchange carriers (i.e., "CLECs") or to provide trunk-side transport connections between the unbundled loop and the CLEC POP. See, Figure 1.

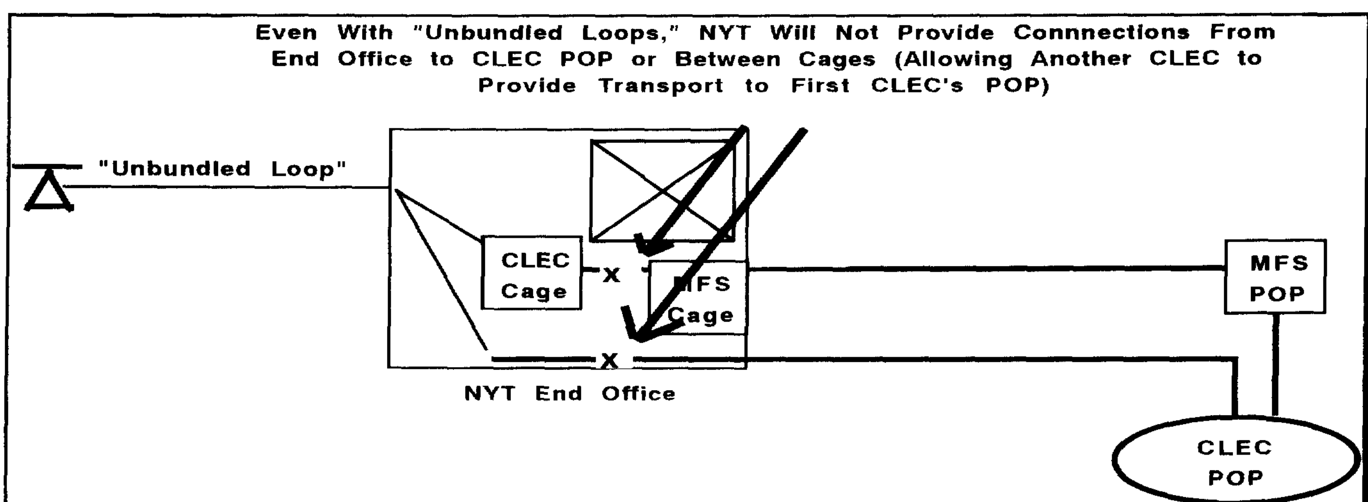

Figure 1 NYT Makes Unbundled Loops Particularly Uneconomical For Other CLECs to Use

This anticompetitive behavior by New York Telephone has driven up the price of using unbundled local loops in the New York region, such that it is cost prohibitive for one CLEC to cost effectively use unbundled local loops. [Figure 1 shows an

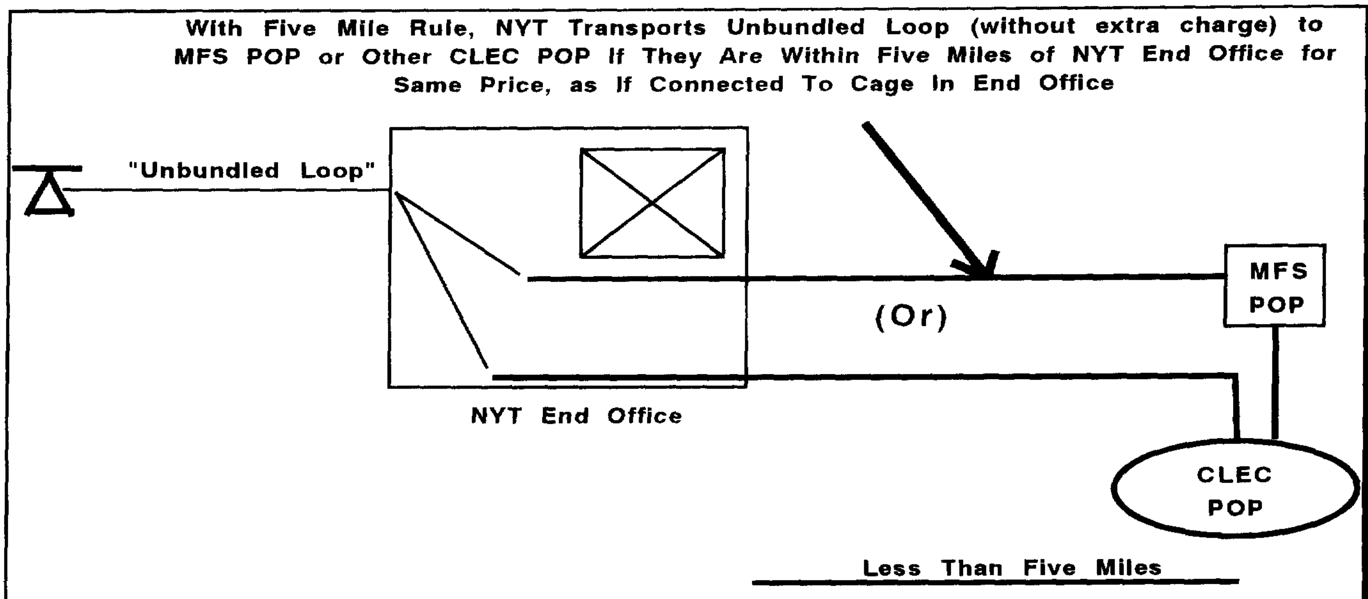

Figure 2 Five Mile Rule Makes Unbundled Loops Economical For CLECs

intercarrier network configuration which NYNEX refuses to allow.]

A solution to this problem would be a five mile rule. The five mile rule would require local exchange carriers, such as New York Telephone, to transport without additional cost the unbundled local loop to a CLEC's (actual or virtual) POP, if that POP is within five miles of the local central office. This would allow more CLEC's to use unbundled loops, yet allow those CLEC's to use non-New York Telephone interoffice transport beyond five miles from the CO.

With LECs, such as New York Telephone refusing to provide connections between cages within Central Offices, unbundled loops can only become available to other CLECs if a five-mile type rule is put in place.

If a five mile rule is put in place, the particular method of making unbundled loops available becomes moot because it can be left to the discretion of the local exchange carrier. In contrast, physical interconnection within the end office, as requested by MFS, brings about a number of complicating issues, as identified in the MFS Petition at 35-42. Allnet would not object to unbundled loops being made available even on a "pin-up" basis (i.e., through the end office switch) as long as a five mile pricing rule accompanies such an arrangement. The five mile pricing rule would not allow the local exchange carrier to include the switching or port costs in an unbundled loop rate, even if the loop was pinned up through the end office switch. The costs of the switch and the costs of the additional transport to a CLEC's POP within five miles should be internalized by the LEC (i.e, it should not be paid for by the CLEC) because this configuration resulted from the LEC's refusal to provide cage-to-cage interconnection.

The Cost Standard Applied Should be Consistent

MFS advocates that the proper cost standard should be a LEC' s Total Service Long Run Incremental Costs ("TSLRIC"). Allnet does not object to the application of this cost standard as long as it is consistently applied to all access pricing. This is required in order to avoid creating distorting pricing. As Alfred Kahn points out with products "A" and "B" (here, being, local bundled access and unbundled loops), "first best" "would be to reduce both prices of both A and B (and all other goods an services in the economy) to marginal costs;" but "the rule does not necessarily produce optimal results if it is applied only partially...it may produce a worse instead of a better allocation of resources to push the price of its substitute [i.e., "unbundled local loops"]...down to marginal cost." Kahn, The Economics of Regulation: Principles and Institutions, Volume I, at 69 (1970). Given that unbundled loops and existing switched access are substitutable, both must be priced on a TSLRIC basis, if one is so priced to avoid uneconomic distortions.

Conclusion

MFS makes a good case for requiring unbundled local loops. A five mile rule should be applied where a local exchange carrier refuses to provide inter-case connections in its end offices (as NYNEX refuses to do), thus allowing the use of unbundled loops by many CLECs. TSLRIC is an appropriate pricing standard as long as all switched access is priced on the same basis.

Respectfully submitted,
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Dated: April 10, 1995

Certificate of Service

I, Roy L. Morris, hereby certify that I have caused to be served on this date, a true copy of the forgoing Allnet brief by postage-prepaid first class mail to the parties listed below.

April 10, 1995

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